Feasibility Study for the Transitions Beneficiary Income Rider (TBIR)

Presented by the Annexus Group

The following is a summary of key points made in the market study completed by BNY Mellon regarding the challenges and opportunities that advisors will have over the next 30 years when attempting to acquire and retain assets.

When surveying 1,200 wealth advisors, the following conclusions were made:

1) What's at stake? It is estimated that $12 Trillion of financial assets are currently changing hands and, over the next 30 years, another $30 Trillion will be transferred from one generation to the next.

2) Over the next 30 years as the $30 Trillion of wealth transfers from generation to generation, the most common phrase will be, "You're fired!" Why? Because both advisors and clients are neglecting to plan on a multigenerational basis. The consequences to advisors' books of business will be dramatic. For example, if advisors do not change their focus from the aging senior client to the entire family, they are at high risk of losing the senior client's assets upon death.

a. 86% of heirs indicated they intended to fire the parents' advisors once they inherited the wealth because no relationship was developed with those advisors during the life of the parents.

b. Only 17% of adult heirs work with the primary advisor of their parent. Of that 17%, only 3% came to work with the advisor at the request of the advisor.

3) Where is the opportunity for long-term success? 43% of clients who describe their advisors as "leaders" work with them to manage wealth across generations, while only 20% who do not describe their advisors as "leaders" do so. How does an advisor become a leader? *The answer is that the advisor must be the first to start the wealth transfer conversation.*

> *The clients of advisors who offer multigenerational planning are more engaged than the clients of those advisors who don't. And no one needs to be reminded that engaged clients are your most loyal—and most profitable—relationships. The data shows the impact on clients of multigenerational planning. Fifty percent of engaged clients said their advisor provided a service that helps them manage or transfer wealth across generations. The takeaway: the children of engaged clients are more likely to work with their parent's advisor by a substantial margin. So are the children of households with more substantial wealth, indicating that the advisor relationship is focused on wealth transfer. The bottom line is that engaged clients are more likely to welcome your involvement in family finances and see it as a natural transition.*

How does an advisor retain the assets of the senior clients when the wealth is being transferred? How does the advisor optimize his chance to work with the adult children of his clients? The answer is to be perceived as a leader and to engage the clients. In order to accomplish those two things, the advisor must focus on wealth transfer and introduce the clients and their adult children to the wealth transfer conversation before any other advisor does and particularly before the parents pass away. *The advisor who has the product solution that enables those three activities to occur is the advisor who has the most success in acquiring and retaining his piece of the $30 trillion that is transferring from one generation to the next.*

The Transitions Beneficiary Income Rider as the Wealth Transfer Solution

In the current financial planning environment, there are very few product solutions that help facilitate the transfer of wealth and allow the advisor to keep the adult children as clients after the death of the senior client. The most common instrument used for this purpose has traditionally been life insurance. The problem with life insurance is that it is considered somewhat taboo for advisors to discuss the transfer of wealth directly with adult children because of negative connotations. Challenges also exist with issuing the policies (i.e. underwriting). Thus, advisors avoid the wealth transfer discussion. However, the positive sentiments involved with discussing wealth transfer as a function of income-based wealth transfer will dramatically improve the chances of advisors attracting and retaining a large piece of the $30 Trillion. The Transitions Beneficiary Income Rider (TBIR) enables advisors to lead (have the wealth transfer conversation) by engaging the clients and their adult children first. The marriage between the product feature (the TBIR) and the optional, built-in marketing system facilitates the wealth transfer discussion and introduces the advisors to the adult children of clients automatically, prior to the passing of the senior clients. *By adding the TBIR to an annuity contract, the advisors will now have the opportunity to lead, engage the adult children and facilitate the building of long-term relationships during the lifetime of the senior clients. This will lead to successful relationships and countless cross-sell opportunities.*

Step One: Advisors will mine their existing books of assets and transfer over any assets that clients would like to leave as a legacy, to a new annuity with the TBIR rider. Considering there is $30 trillion over the next 30 years that qualifies for consideration, every advisor has assets in his book of business that he can immediately reallocate into the TBIR.

Step Two: (Optional) Upon the new contract being established, letters will be sent out to the adult children of the clients (the new beneficiaries of the "beneficiary pensions", the TBIR), notifying them that they are now the beneficiary of a lifetime income annuity with benefits already accumulating. These letters should also list the parents' advisors' contact information. Advisors are automatically in contact with the adult children 100% of the time.

Step Three: The advisors will contact the beneficiaries, assuming the beneficiaries haven't already reached out to the advisors, and set up a time to meet and educate the beneficiaries on their new life-time income benefit.

Step Four: The advisors will meet with the beneficiaries, educate them and pivot to other cross-sell or financial planning opportunities. Since the advisor is already going to be perceived very favorably in the eyes of the beneficiaries, due to the advisor being partially responsible for the beneficiary's new benefit, trust will already be established. Because of the TBIR sale, the advisor will now have the whole family as clients and can begin relationship and business building. The result is an entire family that is engaged in the wealth transfer planning. The advisors are looked at as the leaders of the process. And no one needs to be reminded that, "engaged clients are your most loyal—and most profitable—relationships."